



SUNBELT®

BUSINESS ADVISORS

BE YOUR OWN BOSS



MINNEAPOLIS

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Welcome to the **Be Your Own Boss** Webinar

Chris Jones - President/Sunbelt Business Advisors

John Groppoli – Director of Franchise Sales

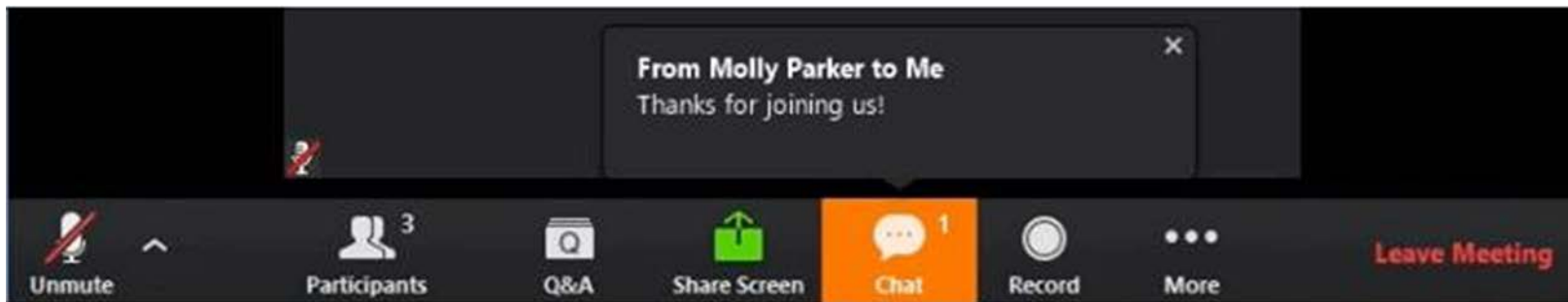
BE YOUR OWN BOSS!

“The true entrepreneur is a doer, not a dreamer” - Nolan Bushnell

“I could either watch it happen or be a part of it” – Elon Musk

WEBINAR DETAILS

- Please keep Video option turned OFF
- Keep line Muted
- Use CHAT feature for questions during the webinar.



COVID-19 IMPACTS TO THE MARKET

- Reset in commercial real estate
- Lending Opportunities
 - No payments for ~3 months (up to \$9K/month for loans funded by Sept 30th, 2021)
 - SBA Guarantee Fee Waived
 - SBA providing higher guarantee to lenders for 7a loans (from 75% to 90%). Reduces risk for lenders
- Low interest rates
- Increase of potential employee pool
- Motivated Government – \$ into economy

BE YOUR OWN BOSS!



BIG PICTURE

2020 Small Business Profile

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH

United States



31.7 million Small Businesses
99.9% of United States Businesses

60.6 million Small Business Employees
47.1% of United States Employees

MINNESOTA

2020 Small Business Profile

U.S. SMALL BUSINESS ADMINISTRATION
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REGULATION • RESEARCH • OUTREACH






Minnesota

526,350 Small Businesses
99.5% of Minnesota Businesses

1.3 million Small Business Employees
46.9% of Minnesota Employees

526,350 Small Businesses / 1,900,000 households in Minnesota = 28%

Table 2: Minnesota Small Businesses by Industry and Firm Size, 2017

				
Industry	1-19 Employees	1-499 Employees	Nonemployer Firms	Total Small Firms
Professional, Scientific, and Technical Services	14,219	15,329	60,804	76,133
Other Services (except Public Administration)	13,282	14,469	50,368	64,837
Construction	15,316	16,312	38,992	55,304
Retail Trade	10,003	11,385	40,413	51,798
Real Estate and Rental and Leasing	5,254	5,568	44,943	50,511
Health Care and Social Assistance	7,918	10,162	28,714	38,876
Transportation and Warehousing	3,478	4,036	33,798	37,834
Arts, Entertainment, and Recreation	2,453	2,798	30,968	33,766
Administrative, Support, and Waste Management	5,764	6,487	24,621	31,108
Finance and Insurance	5,202	5,738	12,817	18,555
Educational Services	1,372	1,804	14,214	16,018
Manufacturing	4,424	6,094	7,399	13,493
Accommodation and Food Services	6,121	8,510	4,311	12,821
Wholesale Trade	4,676	5,885	6,309	12,194
Information	1,199	1,461	5,528	6,989
Agriculture, Forestry, and Fishing and Hunting	534	556	5,281	5,837
Utilities	46	94	206	300
Mining, Quarrying, and Oil and Gas Extraction	99	118	174	292
Total	101,477	116,490	409,860	526,350

Tables 1 and 2 display data from the 2017 Statistics of U.S. Businesses (SUSB). Table 2 includes additional data from the 2017 Nonemployer Statistics (NES). Figure 4 provides estimates of the rate of self-employment among employed civilians, 16 years and over, including both incorporated and unincorporated businesses, from the 2018 American Community Survey (ACS).

SHOULD YOU JOIN THAT SMALL PERCENT?

- What is your motivation?
- Are you willing to take some risk?
 - Most people will tell you NOT to buy a business or franchise
- Do you have the financial resources?

BUYING AN EXISTING BUSINESS

- Benefits
 - Immediate Revenue and Cash Flow
 - Proven Products or Service
 - Established Brand/Reputation
 - Trained Employees
 - Vendor Relationships
 - Training from the Seller
 - Control
 - Financial Reward
 - Build Long Term Equity

HOW TO FIND THE RIGHT MATCH

- TAKE AN INVENTORY OF YOUR RESOURCES
(Financial, Experience & Skills)

- **The earnings of the business must do three things:**
 - 1) Pay the new owner's minimum salary needs
 - 2) Service the acquisition debt
 - 3) Have a “cushion” to allow for working capital, capital expenditures and investment back into the business to drive growth (most banks like a 20% “cushion”).

DETERMINING EARNINGS FOR A SMALL BUSINESS

- Most business owners do their taxes to NOT pay taxes
- Net income on the tax return never tells the whole story
- Seller's Discretionary Earnings (SDE) measures the true earning power of a business
- SDE includes:

Net Income

+ Depreciation and Amortization Expense

+ Interest Expense

+ Owner's Salary

+ Owner's Discretionary Benefits

+ One Time Expenses (or minus One Time Income)

SDE

- SDE allows for an apples to apples comparison of the earning power of businesses:
 - Example 1: Net Income of \$100,000
 - Example 2: Net Income of \$0

SDE – RECASTING

- SDE allows for an apples to apples comparison of the earning power of businesses:
 - Example 1: Net Income of \$100,000. Owner takes a salary of \$100,000. Depreciation of \$50,000. \$0 Interest. \$0 Perks.
 - Example 2: Net Income of \$0. Owner takes a salary \$300,000. Depreciation of \$50,000. \$0 Interest. \$50,000 Perks.

MULTIPLES

- Since most businesses sell for a multiple of SDE, understanding SDE is key
- What are you really buying? The future!
- How likely is it that the revenues and SDE will continue into the future?

MULTIPLES

Main Street business multiples can range anywhere from 2 – 5+ times SDE, depending on Size, Industry, **Risk** and Growth factors.

MULTIPLES ARE DRIVEN BY RISK AND GROWTH



Growing Industry
Proprietary Product/High Barriers to Entry
Strong Brand
Intellectual Property / Patents
Consistent Revenues and Earnings
No Large Customer Concentrations
Management in Place



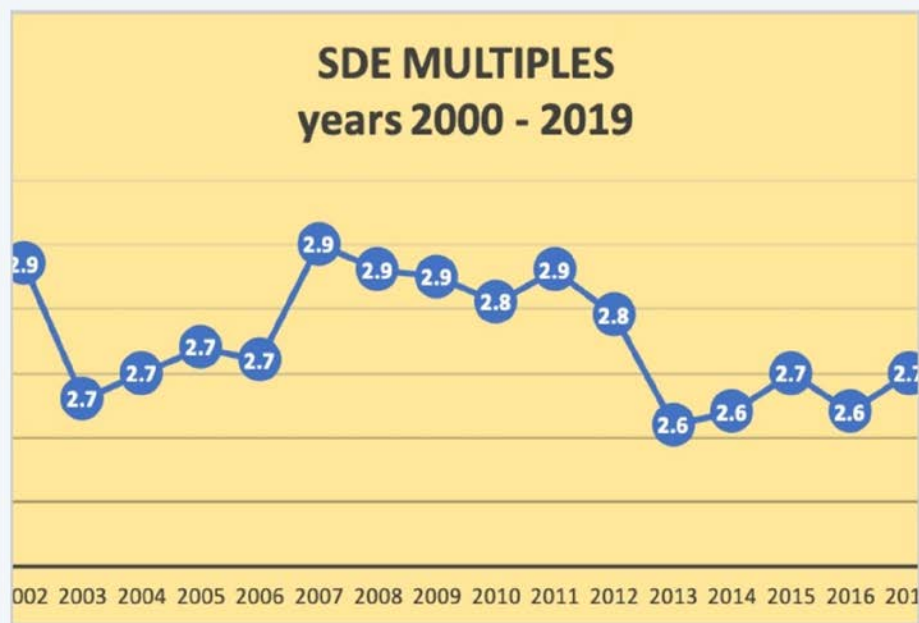
Inconsistent Revenues and Earnings
Heavily Dependent on Owner
Low Barriers to Entry
Few Assets
Mature or Declining Industry
Large Customer Concentration(s)
Low Repeat Customer Factor



Darren Mize, ASA · 1st

Partner, GCF Valuation: GVALUE.com

Our clients are asking: "Do major economic events impact transaction multiples?" Here is a snapshot of SDE multiples from our proprietary market data over the past 20 years--specifically thinking of the impacts of 9/11 and the 2008 recession. At first glance, there was a slight dip post 9/11 and again a slight dip from the 2008 recession--but not as much as one might think. Something positive to consider in today's uncertainty.



TERMS

- Most sellers want to be cashed out
- However, seller financing is very common
- **IMPORTANT:** The seller is also the bank.
Demonstrate why you are a good credit risk!

SBA VS. SELLER FINANCING

Financing	Buyer Equity	Bank Financing	Seller Financing	Closing Costs/Time	Buyer Equity Leverage
SBA	20%	70%	10%	Yes	More leverage, 5:1
Seller	30-50%	0%	50-70%	Minimal	Less Leverage, 2:1 – 3:1

SOURCES OF CAPITAL

- Cash
- Home Equity
- Securities (Portfolio Loans)
- 401k
- Lenders (SBA) *Sunbelt has a Director of Finance*
- Seller

TAKING THE FIRST STEP

- Decide if business ownership is right for you
- Meet face to face with a business broker and communicate your goals (Financial & Personal)
- Take an inventory of resources
- Look at some businesses!

INSIDETRACK

Find • Score • Fund • Own

Inside Track Members are SIX TIMES more likely to find and purchase a business.

www.buyerinsidetrack.com

SUMMARY & QUESTIONS

**Please use the CHAT feature
in Zoom to ask questions**

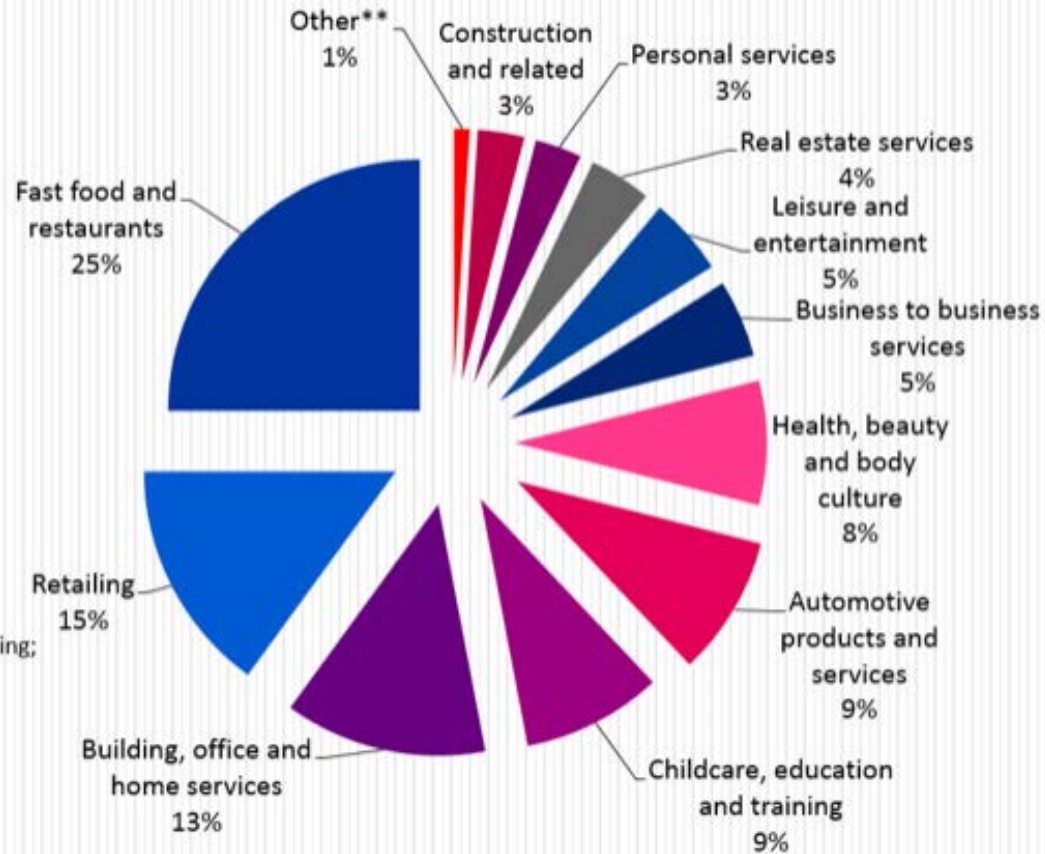
FRANCHISE OPPORTUNITIES



WHAT'S A FRANCHISE?

- Share trade name
 - Goods & Services offered and sold under trademark of Zor
- Share operating methods
- Provide exclusive territory
- Collect an ongoing fee

Franchising business categories



****Includes:**
Agriculture, mining,
manufacture and industrial;
Petroleum forecourt and retailing;
Social franchising

August 2017

Source: FASA website [accessed 23 August 2017]

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WHY CONSIDER A FRANCHISE – REDUCE RISK

- Reduce Costly Mistakes
- Proven Products & Methods - Ramp your Business Quickly
- Create Economies of Scale - Group Advertising and Access to Bulk Purchasing
- Share Best Practices***
- Franchises Command Higher Multiples
- Finance Options Available to Buyers

****IN BUSINESS FOR YOURSELF BUT NOT BY YOURSELF**

QUALITY FRANCHISE MODELS HAVE...

- Proven Model/Systems
- Solid Training Program
- Ongoing Support



FRANCHISE INVESTMENT OPTIONS

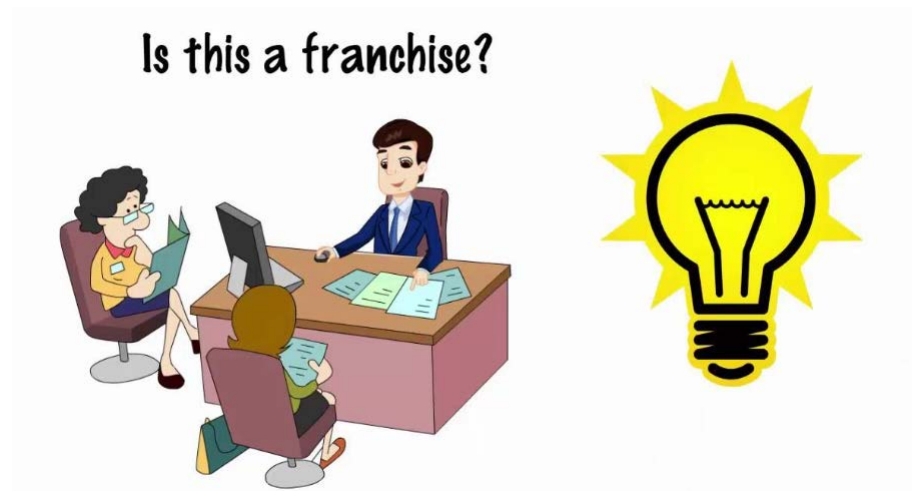
- Single License
- Multiple License
 - 2+ territories, potential discounts (5-10K) for each additional license
- Area Development License
 - License to operate anywhere in area
 - Own and operate each location
- Regional Development License/Master License
 - Purchase rights to state
 - Local market partner with Franchisor
 - Award licenses/Share Franchise Fee and Royalty w/ Franchisor

EXECUTIVE/SEMI-ABSENTEE OPPORTUNITIES

- Health & Wellness
 - Fitness
 - Weight Loss
 - Spa
 - Hair Salons
 - Nail Salons
- Automotive
- Office Workspace
- Portable Storage
- Education

ROLE OF FRANCHISE CONSULTANT

- Help buyer efficiently zero in on models that meet their criteria
- Define the buyer's Criteria
 - Income Goals
 - Lifestyle Goals
 - Passion
 - Investment
 - Location



- Present franchise models
- Help buyer navigate thru the exploration process

FRANCHISE EVALUATION PROCESS

- Discuss models that meet criteria
- Have initial call with franchisor
 - Receive FDD
- Have follow-up call with franchisor
- **Validation calls*****
- Discovery Day

QUESTIONS TO ASK FRANCHISOR

- What territories are open in my area?
- Will you help me find a site and negotiate the lease?
- How long is the initial term for the license?
- How long before I am open for business?
- Is there a Franchise Advisory Committee ?
- Describe your training program?

QUESTIONS TO ASK FRANCHISOR

- **HOW MUCH MONEY CAN I MAKE???**
 - Financial Performance
Representation - item 19
 - TALK WITH FRANCHISEES!!!**

FINAL THOUGHTS...

- Stay Open Minded
- Validate with Existing Franchisees
 - Systems
 - Training
 - Support
 - Determine who some of the Money-Makers are
- Follow the System – Franchisor provides the tools and you are responsible for executing them in your market!

The PROSE Nails Franchise Opportunity 2021



The Industry

\$9 billion space

60,000 nail salons

No category leader

PROSE is an elegant + simple model

Recurring revenue core

Standardized look, feel + smell

Experienced + motivated market Developers

Thoughtful + skilled Franchisees

Proven + committed corporate leadership



Why PROSE Nails?

Membership - Monthly Recurring Revenue

Leadership Team with franchise experience in Massage Envy, Orange Theory Fitness, Burger King, and BrightStar Care

PROSE is a simple model

CDC surpassed sterilization and hospital level instrument cleaning. Built to withstand COVID-19

Pre-Sales focused

Boutique buildout low cost and luxurious



The PROSE Nails Details

Established: 2017; Franchised: 2018

Units: 15 open today and 25 open by end of 2021

Franchise Fee: 45K and 35K for additional

Royalty: 6%

Brand Fund: 2%

Marketing Support

Investment: begins at \$383K; 1,400 - 1,600 SQFT

Unit Employees: 12-18

Site Selection Assistance

Recruiting Assistance

Co-Op Advertising

Developer, Franchise, and Unit Training



HELPING PETS AND
FRANCHISE OWNERS
LIVE THE GOOD LIFE

PET EVOLUTION™

FOOD 🐾 SUPPLY 🐾 WELLNESS

FRANCHISE PROGRAM
OVERVIEW

Paws-itive Industry Trends

Take a bite out of these multi-billion dollar markets!

- ✿ Sixty-seven percent (67%) of U.S. households, or about **85 million** families, own a pet.*
- ✿ Pet owners spend nearly **\$100 billion** on pet products and services each year.** In the past 10 years, American pet spending has more than doubled.***
- ✿ Americans spend **\$37 billion** on pet food and treats, and **\$19 billion** on pet supplies.****
- ✿ The pet grooming market is expected to reach nearly **\$15 billion** by 2025.*****



*<https://www.lii.org/fact-statistic/facts-statistics-pet-statistics>
**https://www.americanpetproducts.org/press_industrytrends.asp
*** <https://fortune.com/statistics/pet-spending-statistics/#ref>

**** <https://progressivegrocer.com/pet-care-pandemic>
***** <https://www.grandviewresearch.com/industry-analysis/pet-grooming-products-market>

The Pet Evolution Revolution

We are different than your typical pet store.

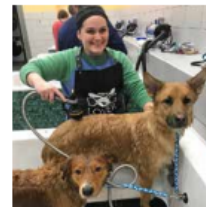
Pet Evolution is the streamlined pet supplies shop with maximum potential:

Premium lines of pet food and other retail products, with friendly knowledgeable staff to guide customers' purchasing decisions

<i>Select</i>	<i>Classic</i>	<i>Signature</i>	<i>Signature</i> PLUS
Free of corn, wheat soy, byproducts, artificial sweeteners and artificial colors	All the benefits of our SELECT plus high quality fruits and vegetables, human-grade meat and high-protein, limited-ingredient diets	All the benefits of our CLASSIC plus non-GMO, humanely sourced meats, wild caught fish, antibiotic and hormone free ingredients	All the benefits of our SIGNATURE plus premium raw or freeze-dried ingredients



Pet grooming by safe-certified pet grooming professionals



Self-serve dog washes that are fun for the whole family!



Mobile nail trims and other services for ultimate convenience



Community outreach and events that keep customers coming back for a visit (and a treat!)

Pet Evolution Franchising Facts

ESTIMATED INITIAL INVESTMENT RANGE	\$424,500 to \$598,550 per store
FRANCHISE FEE	\$49,000 for single units
ROYALTIES	7% of Gross Sales
TECHNOLOGY FEE	\$500 per month
LOCAL MARKETING & SYSTEM MARKETING FUND REQUIREMENTS	Starting at 3% for local marketing and 1.5% for national brand marketing

FIBRENEW[®]

Experts in Leather, Plastic & Vinyl Restoration

FRANCHISEE SATISFACTION REPORT

Report Completed: October 2020



90% OF FIBRENEW FRANCHISE PARTNERS RECOMMEND THE BUSINESS TO OTHERS

FIBRENEW[™]

Experts in Leather, Plastic & Vinyl Restoration

Mobile-Based Operation

- No 'brick & mortar'. Work is done 'on-site' which eliminates overhead and increases potential profit margins
- Scalable business (owner / operator or grow to include family members or technicians)
- Flexible lifestyle. You set your own hours



FIBRENEW[®]

Experts in Leather, Plastic & Vinyl Restoration



Value Proposition

Save time, money & mother nature

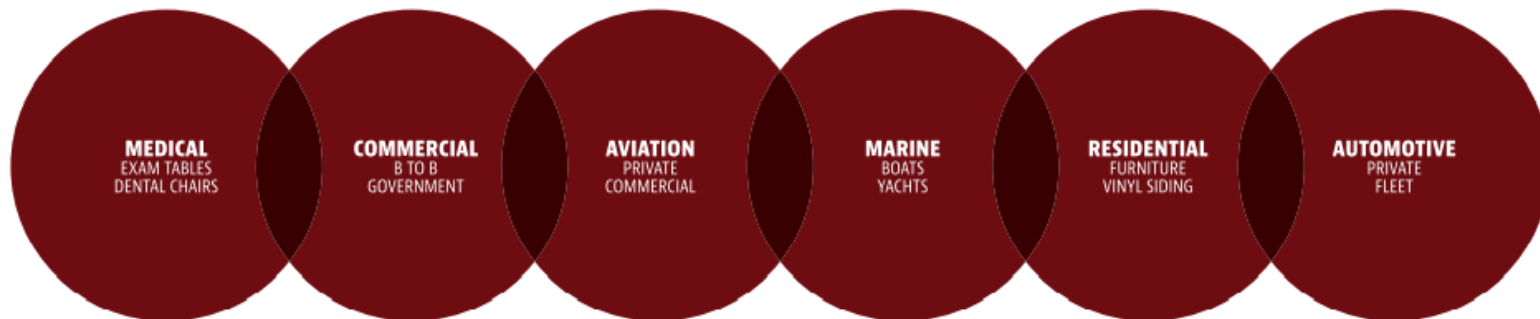
- Quicker turn around than replacement
- Cost-effective alternative to replacement
- Keeps countless items from ending up in landfills

FIBRENEW[®]

Experts in Leather, Plastic & Vinyl Restoration

Markets

Diversification = multiple revenue streams



RESIDENTIAL FURNITURE SERVICE



BEFORE

AFTER



BEFORE

AFTER



BEFORE

AFTER

AUTOMOTIVE INTERIOR RESTORATION



MEDICAL FURNITURE RESTORATION



BEFORE



AFTER



BEFORE



AFTER

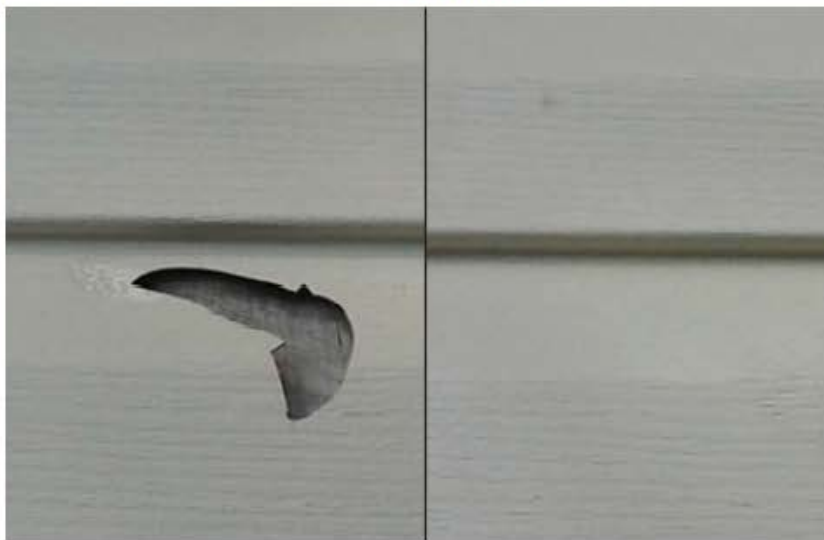


BEFORE



AFTER

VINYL SIDING & PVC WINDOW CASING REPAIR



FIBRENEW®

Experts in Leather, Plastic & Vinyl Restoration

Investment

\$79,000 total

- \$47,000 Franchise Fee
- \$32,000 Start-up package & training

\$15,000 - \$25,000 Liquid Capital

- Vehicle & wrap
- Operating costs
- Travel, food & accommodation to training

3rd Party Funding Options

- SBA Loans
- 401 K Rollover without penalty
- Traditional financing
- 10% Discount on the Franchise Fee for Veterans with DD214



QUESTIONS

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